Audit Report

Antrim Kalkaska

Community Mental Health Services Board

October 1, 1998 – September 30, 2001

Office of Audit
Grayling Regional Office

January 2006

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JANET OLSZEWSKI
DIRECTOR

January 30, 2006

CERTIFIED MAIL

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North Country Community
Mental Health Authority Board of Directors
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and
Ms. Alexis Kaczynski, Executive Director
North Country Community Mental Health Authority
One MacDonald Drive, Suite A
Petoskey, MI 49770
and
Ms. Janet Olszewski, Director
Department of Community Health
Lewis Cass Building
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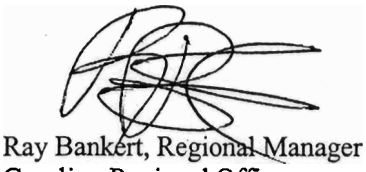
Dear Ms. Stanek, Ms. Kaczynski, and Ms. Olszewski:

Enclosed is our report on the audit of the Antrim Kalkaska Community Mental Health Authority, an agency under contract with the Michigan Department of Community Health.

Sincerely,



Ray Bankert, Regional Manager
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Enclosure

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DESCRIPTION OF AGENCY

Antrim-Kalkaska Community Mental Health Services Board (AKCMHSB) was established in 1975 as a two-county board. AKCMHSB operates under the provisions of Act 258 of 1974, the Mental Health Code, Sections 330.1001 – 330.2106.

During the fiscal years audited, AKCMHSB provided outpatient, residential, partial day, case management, prevention, emergency, and Omnibus Budget Reconciliation Act (OBRA) services to residents within Antrim and Kalkaska Counties.

Effective April 1, 2003 AKCMHSB merged with Northern Michigan Community Mental Authority to become North Country Community Mental Health Authority. Subsequently, the North Country CMHA affiliated with the Northeast Community Mental Health Services Program and the AuSable Valley CMHA to form the Northern Affiliation Prepaid Inpatient Health Plan (PIHP). As a result of the merger and affiliation, and other policy changes at MDCH, the flow of funds from MDCH and various reporting responsibilities changed subsequent to this audit period. However, the underlying cost principles and the shared-risk concept remain unchanged.

AKCMHSB's administrative offices were located in the village of Bellaire during the course of the audit. The administrative offices are now located in Petoskey. During the fiscal years audited, AKCMHSB's board consisted of members appointed by the county boards of commissioners, and the board members resided within the two counties served by AKCMHSB.

FUNDING METHODOLOGY

AKCMHSB contracted with the Michigan Department of Community Health (MDCH) under a Managed Specialty Supports and Services Contract (MSSSC) for FY 2000-2001, FY 1999-2000, and FY 1998-1999. AKCMHSB reported gross total expenditures of $9.5 million in FY 2000-2001, $8.2 million in FY 1999-2000, and $8.1 million in FY 1998-1999. MDCH provided the funding under these contracts to AKCMHSB with both the state and federal share of Medicaid funds as capitated payments based on a Per Eligible Per Month (PEPM) methodology. An

attachment to each contract includes the specific rates paid on the PEPM basis. MDCH also distributed the non-Medicaid full-year State Mental Health General Funds (GF) based on separate formulas attached to the contracts. AKCMHSB also received special and/or designated funds, fee for services funds, and MIChild capitated funds under special contractual arrangements with MDCH. Each agreement specifies the funding methodologies. MIChild is a non-Medicaid program designed to provide certain medical and mental health services for uninsured children of Michigan working families. MDCH also provided the funding for this program by capitated payments based on a Per Enrolled Child Per Month methodology for covered services.

PURPOSE AND OBJECTIVES

The purpose of this review was to determine MDCH's share of costs in accordance with applicable MDCH requirements and agreements, and whether the agency properly reported revenues and expenditures in accordance with generally accepted accounting principles and contractual requirements; and to assess the agency's performance relative to the requirements and best practice guidelines set forth in the contracts.

Audit Objectives

1. To assess AKCMHSB's effectiveness and efficiency in reporting their financial activity to MDCH in accordance with the MSSSC requirements; applicable federal, state, and local statutory requirements; Medicaid regulations; and applicable accounting standards.

2. To assess AKCMHSB's effectiveness and efficiency in establishing and implementing specific policies and procedures, and complying with the MSSSC requirements and best practices guidelines.

3. To determine MDCH's share of costs in accordance with applicable MDCH requirements and agreements, and to identify any balance due to/from AKCMHSB.

SCOPE AND METHODOLOGY

We examined AKCMHSB's records and activities for the period October 1, 1998 through September 30, 2001. We also reviewed prior and subsequent periods pertaining to payments to the internal service fund ("ISF") for risk. We reviewed internal controls relating to accounting for revenues and expenditures, procurement and other contracting procedures, reporting, claims management, and risk financing. We interviewed AKCMHSB's executive, financial, and administrative staff. We reviewed AKCMHSB's policies and procedures. We examined contracts for compliance with guidelines, rules, and regulations. We summarized and analyzed revenue and expenditure account balances to determine if they were properly reported on the financial status report (FSR) in compliance with the MSSSC reporting requirements and applicable accounting standards. We performed our audit procedures from January 2003 through June 2003.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

FINANCIAL REPORTING

Objective 1: To assess AKCMHSB's effectiveness and efficiency in reporting their financial activity to MDCH in accordance with the MSSSC requirements; applicable federal, state, and local statutory requirements; Medicaid regulations; and applicable accounting standards.

Conclusion: AKCMHSB did not accurately report their financial activity to MDCH as required by the MSSSC, applicable statutory requirements, Medicaid regulations, and applicable accounting standards. We found exceptions related to reported cost allocation statistics (finding 1), capital asset purchases (finding 2), donation revenue (finding 3), QHP Earned Contracts revenues and expenditures (finding 4), Workers' Compensation insurance refunds (finding 5), accrual basis revenue (finding 6), payroll expense allocation (finding 7), Home Help Earned Contracts expenditures (finding 8), and the administrative cost allocation (finding 9).

Finding

1. **Incorrect Statistics Used in Cost Allocation**

   AKCMHSB did not properly allocate costs between Medicaid and General Fund as reported on their FY 2000-2001 and FY 1999-2000 FSRs in compliance with Office of Management and Budget (OMB) Circular A-87 and the MSSSC.

   The MSSSC, Attachment 8.9.1, Section 1.0, paragraph 2 states,

   > *The accounting and financial systems established by the CMHSP must have the capability to identify specialty managed care services provided to Medicaid recipients; all children's waiver expenditures; and to separately identify the funding source – either a capitated payment, formula funding, or other reimbursement or revenue in such a way as to determine whether the expenditure qualifies for 100% state funding.*

The MSSSC states that OMB Circular A-87, among other documents, shall guide program accounting procedures. OMB Circular A-87, Attachment A, Section C. Basic Guidelines, states, in pertinent part:

1. *Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:*
   b. *Be allocable to Federal awards under the provisions of this Circular.*

3. *Allocable costs.*
   a. *A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.*

We reviewed the statistics AKCMHSB used to allocate costs between Medicaid and the General Fund. AKCMHSB allocates costs based on service revenues attributable to individual consumers. We reviewed AKCMHSB's underlying support for accuracy, for proper classification to Medicaid or General Fund, and for proper classification as 100% or 90/10% matchable services. We determined that the statistics used to allocate costs did not agree with underlying supporting documentation. As a result of the errors, Medicaid costs (line K of the expenditure section of the FSRs) were overstated and General Fund costs (line L of the expenditure section of the FSRs) were understated.

Audit adjustments reclassifying expenditures to agree with the underlying support are shown below and on Schedules A and B, and on Schedules D and E, respectively.

	Medicaid			General Fund		
	100 %	90/10%	Total	100 %	90/10%	Total
FY 2000-2001	36,975	(631,587)	(594,612)	(36,975)	631,587	594,612
FY 1999-2000	28,810	(140,186)	(111,376)	(28,810)	140,186	111,376

Recommendation

We recommend AKCMHSB implement policies and procedures to ensure accurate cost allocations in compliance with the MSSSC, OMB Circular A-87 and sound business practices.

Finding

2. Improper Reporting of Capital Asset Purchases

AKCMHSB did not report purchases of vehicles, computers, and office equipment on the FSRs in compliance with OMB Circular A-87, the MSSSC and guidance from MDCH.

AKCMHSB reported expenditures of $167,020, $102,459, and $494,723 for capital assets on the FY 2000-2001, FY 1999-2000, and FY 1998-1999 FSRs, respectively. The reported expenditures were overstated as they were for the full purchase prices of the items rather than a depreciation amount or use allowance.

Prior to FY 1998-1999, AKCMHSB's contract with MDCH allowed the full purchase prices of capital equipment asset purchases to be expensed in the year of purchase. However, the MSSSC clearly states that the "contractual agreement represents a departure from the contractual agreement between the MDCH and CMHSP that expired on September 30, 1998." Also, the MSSSC requires compliance with OMB Circular A-87 and accrual accounting.

The MSSSC states that OMB Circular A-87, among other documents, shall guide program accounting procedures. OMB Circular A-87, Attachment B, Section 19, states, in part:

b. Capital expenditures which are not charged directly to a Federal award may be recovered through use allowances or depreciation…c. Capital expenditures for equipment, including replacement equipment, other capital assets, and improvements which materially increase the value or useful life of equipment or other capital assets are allowable as a direct cost when approved by the awarding agency…d. Items of equipment

with an acquisition cost of less than $5000 are considered to be supplies and are allowable as direct costs…

OMB Circular A-87, Attachment B, Section 15, states, in part,

Depreciation and use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances.

Additionally, the MSSSC, Section 8.9 and its Attachment 8.9.1, Section 1.3 – Financial Status Report, states, in part,

With the exception of P.A. 423 Grant Funds, all reported revenue and expenditure information is required to be provided on an accrual basis of accounting. This accrual basis is expected to recognize all revenues and expenditures through the reporting periods.

Approval by the awarding agency for capital expenditures to be charged as a direct cost has not been granted. Therefore, the appropriate method of reporting expenditures for these capital assets would be depreciation or use allowance, not to fully expense the purchase price.

The applicability of OMB Circular A-87 to Medicaid Managed Care Programs was communicated by MDCH to AKCMHSB in 1997. Correspondence to AKCMHSB from MDCH Director, Revenue Enhancement Division, dated May 12, 1997 states, in part,

Please be advised that a rate of 9.21% has been tentatively approved for use in the calculation of indirect charges to federal programs, operated by Antrim-Kalkaska CMHSP, that are subject to the provisions of OMB Circular A-87.

This rate is based on actual costs from fiscal year 1996 and is derived from a standardized cost report provided by the Department of Community Health. The cost

allocation methodology used in the department's cost report complies with the requirements of A-87. ***Specific programs that are subject to the provisions of A-87 include OBRA PASARR contracts and Medicaid Managed Care.*** *(emphasis added)*

An adjustment for FY 2000-2001 removing expenditures for the full purchase prices of capital assets for $167,020 and substituting an appropriate depreciation allowance of $130,364 is shown on Schedules A and B.

An adjustment for FY 1999-2000 removing expenditures for the full purchase prices of capital assets for $102,459 and substituting an appropriate depreciation allowance of $89,246 is shown on Schedules D and E.

An adjustment for FY 1998-1999 removing expenditures for the full purchase prices of capital assets for $494,723 and substituting an appropriate depreciation allowance of $11,151 is shown on Schedules G and H.

Recommendation

We recommend AKCMHSB adopt policies and procedures to ensure that expenses related to capital asset purchases are reported in compliance with OMB Circular A-87, the MSSSC and guidance from MDCH.

Finding

3. Donation Reporting Errors

AKCMHSB did not properly report clubhouse and medication donations in FY 2000-2001, in FY 1999-2000 and in FY 1998-1999 in compliance with the MSSSC, OMB Circular A-87, and the Mental Health Code.

a. AKCMHSB accepted donations of garage-sale type items from the public at their consumer-run clubhouse. These items were valued at the time of donation and then stored on site. AKCMHSB recorded these donations as local revenue and reported an equal amount as matchable expenditures on their FSRs. We reviewed the collection and disbursement process and found no accounting and/or control process for the distribution

of these items. As these items are not accounted for and have questionable value, they do not qualify as local revenue and are not allowable as matchable expenditures. To be considered an allowable/matchable expenditure, the cost must be adequately documented according to OMB Circular A-87, Attachment A, Section C.1.(j.). More importantly, since the donations do not represent real or actual expenditures by AKCMHSB, they are not eligible for state financial support and cannot be reported as matchable expenditures according to Section 242 of the Mental Health Code. Furthermore, these cannot be reported as matchable Medicaid or General Fund expenditures since the donations do not "represent plan services provided to the Medicaid recipient population" or "expenditures for mental health services provided to the population supported through formula and categorical funding" as required by Attachment 8.9.1 of the MSSSC.

b. AKCMHSB also received cash donations, at the clubhouse, from fundraisers and from a subcontracted service provider. These cash donations specifically do not qualify as local revenue and the related expenditures cannot be reported as matchable expenditures as explained below.

The revenue generated from the fundraisers at the clubhouse does not qualify as local revenue. The clubhouse is a service paid for with federal and state funds. The MSSSC, Section 8.3.7 – Revenue Sources for Local Obligation – Other Revenue, describes a potential local revenue source with the exception of revenue generated from services paid for with federal or state funds as follows:

> *As long as federal or state funds are not paid to and/or used by the CMHSP to pay for any costs of those mental health or non-mental health services, revenues in excess of expenditures for CMHSP mental health or non-mental health services provided by persons other than recipients to agencies/businesses other than those identified in Section 8.3.6.*

Cash donations received from a subcontracted service provider are specifically not allowed as local revenues according to the MSSSC, Section 8.3.8 – Revenue Sources for Local Obligation – Grants or Gifts Exclusions, which states,

Local funds exclude grants or gifts received by the County, the CMHSP, or agencies contracting with the CMHSP, from an individual or agency contracting to provide services to the CMHSP.

AKCMHSB also reported the donations as matchable expenditures. These donations cannot be reported as matchable Medicaid or General Fund expenditures since the donations do not "represent plan services provided to the Medicaid recipient population" or "expenditures for mental health services provided to the population supported through formula and categorical funding" as required by Attachment 8.9.1 of the MSSSC.

c. AKCMHSB also recorded medication samples received from drug company representatives as local revenue and reported an equal amount as matchable expenditures on their FSRs. We determined these medication samples should not be included as local revenue and/or matchable expenditures because drug costs are not covered under the MSSSC. The medication samples cannot be reported as matchable Medicaid or General Fund expenditures since the donations do not "represent plan services provided to the Medicaid recipient population" or "expenditures for mental health services provided to the population supported through formula and categorical funding" as required by Attachment 8.9.1 of the MSSSC. More importantly, since the medication sample donations received do not represent real or actual expenditures by AKCMHSB, they are not eligible for state financial support and cannot be reported as matchable expenditures according to Section 242 of the Mental Health Code.

An adjustment for FY 2000-2001 reclassifying $77,172 from Local Revenue to Revenues Not Otherwise Reported on the Revenues page of the FSR is shown on Schedules A and B. An adjustment on the Expenditures page reclassifying the same amount from Matchable Services to Expenditures Not Otherwise Reported is also shown on Schedules A and B.

An adjustment for FY 1999-2000 reclassifying $98,139 from Local Revenue to Revenues Not Otherwise Reported on the Revenues page of the FSR is shown on Schedules D and E.

An adjustment on the Expenditures page reclassifying the same amount from Matchable Services to Expenditures Not Otherwise Reported is also shown on Schedules D and E.

An adjustment for FY 1998-1999 reclassifying $87,429 from Local Revenue to Revenues Not Otherwise Reported on the Revenues page of the FSR is shown on Schedules G and H. An adjustment on the Expenditures page reclassifying the same amount from Matchable Services to Expenditures Not Otherwise Reported is also shown on Schedules G and H.

Recommendation

We recommend AKCMHSB implement policies and procedures to ensure that all revenues and matchable expenditures are properly reported in compliance with the MSSSC, OMB Circular A-87, and the Mental Health Code.

Finding

4. Errors in Reported Earned Contracts Revenues and Expenditures

AKCMHSB did not properly report revenues and expenditures from earned contracts with Qualified Health Plans ("QHP") in FY 2000-2001 and FY 1999-2000 in compliance with the MSSSC and FSR instructions.

Three QHPs contracted with AKCMHSB to provide 20 outpatient visits for mental health services to QHP members who are enrolled Medicaid recipients. The QHPs received Medicaid funds from the State that specifically covered the 20 outpatient visits and then contracted with AKCMHSB to provide these services. AKCMHSB recorded the full expense of providing the 20 outpatient visits services as matchable expenditures on their FSRs. AKCMHSB was reimbursed once with Medicaid funds through the QHPs and again through reporting the expense of providing the 20 outpatient visits as a matchable expenditure on the FSRs. The 20 outpatient visits are not covered services of the MSSSC; they are covered services through the QHPs. Therefore, AKCMHSB cannot report the expenditures associated with providing the 20 outpatient visits services as matchable expenditures on the FSRs. The revenue from the QHPs and the related expenditures of providing those services must be reported as earned contracts.

The MSSSC, Attachment 8.9.1, supports that only covered services of the MSSSC may be reported as matchable expenditures on the FSR as follows:

> *Section 2.4.3 Row Instructions, Row K: …This section applies to specialty managed care services within the waiver…and represents plan services provided to the Medicaid recipient population.*

The MSSSC, Attachment 8.9.1, supports that the revenue from the contracts with the QHPs and the related expenditures of providing these services must be reported as earned contracts as follows:

> *Section 2.3.2 Row Instructions, Row C: Earned Contracts (non MDCH)…Earned Contracts are defined as funds received by the CMHSP from the sale of services or goods including revenues earned in the context of the sale of these services or goods…Row C-2 should be used for all other earned contracts except those included in Section G.*

> *Section 2.4.3 Row Instructions, Row D-2 Other – Report any other earned contracts spending in this row.*

The Final Revised Request for the 1915(b) waiver, June 18, 1998, pages v. and vi., supports that the 20 outpatient visits services are NOT plan services provided within the waiver as follows:

> *The only Medicaid state plan defined behavioral health services <u>not</u> managed through the CMHSPs will be **primary** behavioral health care services (which includes both assessment, evaluation, limited treatment and specialty care referral services provided by a primary care provider, and the twenty (20) outpatient mental health visit benefit for acute ambulatory care which remains in the Medicaid Qualified Health Plan arrangements), and school based mental health services…If the recipient needs inpatient care, or extended care beyond primary behavioral health services and/or the 20 visit*

*benefit of the health plan, they will be referred to the CMHSP in that service area for extended care under the **MPSBHS** plan.*

*Under the **MPSBHS** plan, the department will prospectively pay CMHSPs, on a per-eligible-per-month basis, for provision of all needed behavioral health services (with the exception of primary behavioral health services, including the 20 mental health outpatient visits for recipients in capitated health plans, and school based mental health services) to Medicaid recipients within their service area.*

The Medical Services Administration Community Mental Health Services Programs Bulletin 00-01, dated December 1, 2000, supports that the 20 outpatient visits services are covered services of the QHPs as follows:

"Qualified Health Plans…contracting with the State of Michigan for comprehensive health care for Medicaid beneficiaries are responsible for providing up to 20 outpatient mental health visits per calendar year for beneficiaries enrolled with the health plan who need such services."

AKCMHSB Coordinating Agreements with the QHPs, Section 6.5, Medical Coordination, states that payment for the services is the responsibility of the QHP (not MDCH) as follows:

The QHP shall provide, or arrange and authorize for, a limited number of outpatient visits (20 visits) for short-term crisis treatment. The QHP may contract with the CMHSP to provide this benefit. Payment for these services is the responsibility of the QHP.

AKCMHSB Contract with Comprehensive Behavioral Care, Inc., dated October 1, 1999, Section 3.8.6 states that AKCMHSB is not entitled to any additional payment beyond that received by the QHP as follows:

Additional Payments. The compensation reflected in the Section 3.8 constitutes, and provider shall accept same, as payment in full for all Covered Services rendered and other obligations performed by Provider hereunder. Provider shall not be entitled to any

additional payment from or reimbursement by any third party (including Medicare) for Covered Services rendered to members hereunder.

AKCMHSB reported the revenue from the 20 outpatient visits as P.A. 423 funds according to instructions received from MDCH. In other words, the revenue received from the QHP was recorded as local revenue, and the expenditures associated with providing the 20 outpatient visits services were recorded as matchable expenditures. AKCMHSB relied on instructions communicated through an MDCH Question and Answer Memorandum, dated September 15, 1998. Even though this memorandum states that Medicaid funds may lose their identity as public funds and become the equivalent of private insurance dollars, nothing from the federal government supports this treatment. Medicaid funds cannot lose their identity as public funds and become local funds; this would be an inappropriate subsidy for services for the uninsured and a violation of Section 1903 of the Social Security Act which requires the use of Medicaid funds for Medicaid recipients.

Audit adjustments to both the revenue and expenditure pages of the FSRs to reflect earned contract revenue from the QHPs are shown as follows:

FY 2000-2001	Schedules A and B	$ 7,821
FY 1999-2000	Schedules D and E	$17,907

Recommendation

We recommend AKCMHSB implement policies and procedures to ensure that all costs related to earned contracts are properly reported in compliance with the MSSSC and FSR instructions.

Finding

5. Errors in Reporting Workers' Compensation Insurance Refunds

AKCMHSB did not properly report Workers' Compensation insurance refunds in FY 1999-2000 and in FY 1998-1999 in compliance with the MSSSC and OMB Circular A-87.

AKCMHSB reported Workers' Compensation insurance refunds as local revenue on the revenue page of their FSRs instead of reducing insurance expense. Since these refunds were

actually reimbursements based on wages paid in various employee classifications they should be considered a reduction of matchable expenditures. By reporting these refunds as local revenue rather than reducing matchable expenditures, AKCMHSB overstated matchable expenditures on their FSRs.

OMB Circular A-87, Attachment B, Section 25(f), states,

> *Insurance refunds shall be credited against insurance costs in the year the refund is received.*

Audit adjustments reclassifying revenue and expenditures are shown as follows:

FY 1999-2000	Schedules D and E	$16,318
FY 1998-1999	Schedules G and H	$15,737

Recommendation

We recommend AKCMHSB implement policies and procedures to ensure that insurance refunds are applied against related expenditures in compliance with the MSSSC and OMB Circular A-87.

Finding

6. FSR Revenue Reporting Errors

AKCMHSB did not properly report Local Revenue and Revenues Not Otherwise Reported on the FSRs for FY 2000-2001, FY 1999-2000, and FY 1998-1999 on the accrual basis of accounting in compliance with the MSSSC.

The MSSSC, Section 8.9 and its Attachment 8.9.1, Section 1.3 – Financial Status Report, states, in part,

> *With the exception of P.A. 423 Grant Funds, all reported revenue and expenditure information is required to be provided on an accrual basis of accounting. This accrual basis is expected to recognize all revenues and expenditures through the reporting periods.*

Audit adjustments to reflect total accrual based revenues are shown as follows:

FY 2000-2001	Schedules A and B	$242,652
FY 1999-2000	Schedules D and E	$221,518
FY 1998-1999	Schedules G and H	$222,686

Recommendation

We recommend AKCMHSB implement policies and procedures to ensure that revenues are reported on the accrual basis in compliance with the MSSSC and FSR reporting instructions.

Finding

7. Improper Payroll Expense Allocation

AKCMHSB did not document payroll expense allocations in compliance with the MSSSC and OMB Circular A-87.

AKCMHSB did not adequately document payroll cost allocations to program cost centers. Forms completed by supervisory staff and forwarded to the Accounting Department supported the various payroll allocations. However, AKCMHSB provided no evidence that allocations were supported by personnel activity reports or periodic certifications as required by OMB Circular A-87.

AKCMHSB is required to implement the provisions of OMB Circular A-87 related to the allocation of personnel costs. Attachment B, Section 11. – Compensation for Personnel Services, Section h. – Support of salaries and wages, states, in part,

These standards regarding time distribution are in addition to the standards for payroll documentation...

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be

signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

(a) more than one Federal award,

(b) a Federal award and a non-Federal award,

(c) an indirect cost activity and a direct cost activity,

(d) two or more indirect activities which are allocated using different allocation bases, or

(e) an unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

(a) They must reflect an after-the-fact distribution of the actual activity of each employee,

(b) They must account for the total activity for which each employee is compensated,

(c) They must be prepared at least monthly and must coincide with one or more pay periods, and

(d) They must be signed by the employee.

(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes.

The required supporting documentation must be retained for seven years according to Section 4.11 of the MSSSC, which states, in part,

The CMHSP shall maintain all pertinent financial and accounting records and evidence pertaining to this Contract in accordance with generally accepted principles of accounting and other procedures specified by the State of Michigan.…The CMHSP shall maintain in a legible manner, via hard copy or electronic storage/imaging, financial and

clinical records necessary to fully disclose and document the extent of services provided to recipients. The records shall be retained for a period of seven (7) years from the date of service or termination of service for any reason.

Although our review did not identify any material impropriety in the allocation of payroll costs that would result in a financial adjustment, AKCMHSB needs to adhere to the above requirements to ensure that costs are being properly identified and charged to the proper program.

Recommendation

We recommend AKCMHSB implement policies and procedures to ensure personnel cost allocations and documentation comply with OMB Circular A-87 requirements. We also recommend AKCMHSB retain documentation supporting their personnel cost allocations in compliance with the requirements in the MSSSC, Section 4.11.

Finding

8. FIA Home Help Services Expenditure Reporting Error

AKCMHSB improperly supplemented the cost of Michigan Family Independence Agency ("FIA") Home Help personal care services to CMHSP consumers for FY 2000-2001, FY 1999-2000, and FY 1998-1999 in violation of the MSSSC.

FIA contracted with AKCMHSB to provide Home Help personal care services to nine consumers who were also being served by AKCMHSB under the 1915(c) Home and Community-Based Habilitation Supports Waiver ("HSW"). These consumers were eligible for FIA Home Help services through the Medicaid State Plan because they were Medicaid eligible, they lived in unlicensed/non-foster care living situations, and they had documented need. FIA conducted functional assessments for these consumers and then contracted with AKCMHSB to provide specific personal care services for a specified number of hours.

According to an MDCH Policy Hearing Authority Decision issued in 2002, HSW services (and "alternative services" under the 1915(b) waiver) cannot duplicate Medicaid State Plan services. Accordingly, any cost associated with providing the Home Help services (Medicaid

State Plan services) cannot be reported as a matchable expenditure of AKCMHSB under their mental health services program contract with MDCH. As such, AKCMHSB should have reported the full cost to provide Home Help services as Earned Contracts on their FSRs. AKCMHSB reported the full cost of providing the Home Help personal care services as matchable expenditures, and reported the FIA revenues as reimbursements leaving the net unreimbursed portion as a matchable expenditure, which MDCH ultimately paid with MSSSC funds.

The MSSSC, Attachment 4.5.4.1, Section D., page 4, states, in part,

> *Under the managed mental health services programs, capitated payments and state funds must be used to provide covered or mandated mental health services to eligible consumers or priority populations, and cannot be used to supplant other sources of payment or to pay for services that are the responsibility of another agency.*

In 2002, the former MDCH Director issued a Policy Hearing Authority Decision (Docket No: 01-0358 and 01-2388) that addressed, along with other issues, Home Help personal care services. The Policy Hearing Authority Decision, Issues 3 & 4, states, in part,

> *The federal regulations define home and community based services as services, not otherwise furnished under the State's Medicaid Plan. (emphasis added)*
>
> *The State of Michigan has chosen to provide Personal Care Services to eligible recipients as part of its State Plan. These services are also called Home Help services. Personal Care Services include: assistance with activities of daily living including eating, toileting, bathing, grooming, dressing, and mobility (ambulation and transferring) and instrumental activities of daily living including personal laundry, light housekeeping, shopping and errands, meal planning and preparation and self administration of medication. Michigan has further chosen to provide transportation as a State Plan service available to any eligible Medicaid recipient for medically related purposes as defined by policy.*

Department of Community Health policy, Community Mental Health Services Programs (CMHSP) manual, Chapter III, page 63, lists as 1915(c) waiver services: meal preparation, laundry, routine household care and maintenance, assistance with activities of daily living such as bath, eating, dressing, personal hygiene, shopping, and transportation. Each of these services is also provided through the State Plan. The Family Independence Agency (FIA) has also been designated as the agency to provide State Plan services to eligible recipients for transportation to obtain medical evidence or to receive a Medicaid covered service from any MA-enrolled provider.

The Department may not duplicate any services provided in the State Plan with services provided under a Home and Community Based Waiver.

As part of the same decision, the Director issued the following:

IT IS FURTHER ORDERED that the Department amend Department policy, CMHSP Manual, Chapter III, and its Home and Community Based waiver to exclude State Plan personal care services.

On November 22, 2002 MDCH issued a letter to PIHP and CMHSP Executive Directors that further explained the Policy Hearing Authority Decision. The letter summarized the considerations of the Decision and reiterated the requirements binding on the Department and contract agencies. MDCH's letter also addressed "alternative services" of the 1915(b) Managed Care Waiver Program and FIA's responsibility to provide Home Help services to eligible recipients. The letter, page 5, states, in part,

*The Policy Hearing Authority Decision called attention to the federal requirement of **"nonduplication";** that is, the state may not provide the exact same service under a 1915(c) waiver (or, presumably, as an "alternative" under a 1915(b) waiver program) that it offers under the regular state Medicaid plan. The logic behind "nonduplication" (especially in the context of the 1915(c) waiver) is straightforward: the beneficiary is already eligible for the service under the state plan. While a service under the 1915(c) waiver (or an alternative under the 1915(a)(1)(A) provisions) cannot duplicate a state*

plan coverage, it can ***"complement"*** *the state plan coverage by offering additional (differentiated) or extended services that go beyond the basic assistance provided through the state plan.*

By reporting the full cost of providing the Home Help personal care services as matchable expenditures and only the FIA revenue as reimbursements on the FSR instead of the full cost as an earned contract, AKCMHSB understated non-MDCH Earned Contracts and overstated MDCH matchable expenditures. AKCMHSB overstated MDCH matchable expenditures by the difference between what AKCMHSB reported as reimbursements ($6.50-$7.50 per hour) and the full cost to provide those services ($13.71 per hour).

Matchable expenditures were overstated as follows:

FY 2000-2001	Schedules A and B	$31,923
FY 1999-2000	Schedules D and E	$35,912
FY 1998-1999	Schedules G and H	$29,431

We made no financial adjustment because the above-mentioned Policy Hearing Authority Decision was issued after the end of our audit period.

Recommendation

We recommend AKCMHSB implement policies and procedures to report FIA Home Help expenditures as Earned Contracts in compliance with the MSSSC and the related MDCH Policy Hearing Authority Decision.

Finding

9. Lack of Administrative Cost Allocation

AKCMHSB did not properly allocate administrative indirect costs in FY 2000-2001, FY 1999-2000, and FY 1998-1999 as required by OMB Circular A-87 and the MSSSC.

AKCMHSB reported their administrative costs in a separate 90/10% matchable cost center instead of properly allocating them to programs that received the respective benefit. By not

allocating administrative costs to programs that received the respective benefit AKCMHSB misstated Medicaid and General Fund costs on their FSR.

OMB Circular A-87, Attachment A, Section C.3., states, in part,

a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

b. All activities which benefit from the governmental unit's indirect cost, including unallowable activities and services donated to the governmental unit by third parties, will receive an appropriate allocation of indirect costs.

OMB Circular A-87, Attachment A, Section D.1., states,

Total Cost. The total cost of Federal awards is comprised of the allowable direct cost of the program, plus its allocable portion of allowable indirect costs, less applicable credits.

We made no financial adjustment because AKCMHSB also incorrectly directly allocated administrative staff salaries and related costs to 100% matchable cost centers. (See finding 9 for discussion of inadequate supporting payroll documentation). Since it was not cost beneficial to reverse the incorrect direct allocations to accurately reflect total administrative costs, and AKCMHSB reported the administrative cost center as 90/10% matchable, we accepted costs as filed.

Recommendation

We recommend AKCMHSB implement policies and procedures to ensure total costs are reported on the FSRs in compliance with OMB Circular A-87 and the MSSSC.

CONTRACT AND BEST PRACTICE GUIDELINES COMPLIANCE

Objective 2: To assess AKCMHSB's effectiveness and efficiency in establishing and implementing specific policies and procedures, and complying with the MSSSC requirements and best practices guidelines.

Conclusion: AKCMHSB was generally effective and efficient in establishing and implementing specific policies and procedures, and complying with the best practices guidelines. However, we found exceptions related to the MSSSC financial reporting requirements (findings 1-9), prior year's internal service fund (finding 10), procurement practices (finding 11), rate setting (finding 12), and claims management (finding 13).

Finding

10. Improper Establishment of the Internal Service Fund

AKCMHSB did not properly establish and fund the internal service fund (ISF) for risk reserve in compliance with contract provisions.

AKCMHSB established an ISF for risk reserve of $88,353 with MDCH General Fund monies by exercising a provision in a FY 1997-1998 MDCH contract amendment. Amendment A to the FY 97 Contract Extension #3, states, in part,

> *The CMHSP may make payments into an Internal Service Fund for the purpose of readiness regarding management of risk in the FY 99 Specialty Services Contract. To be matchable, these payments must comply with the Internal Service Fund Technical Requirement (8.8.4.1) which is attached to and a part of this amendment.*

Attachment 8.8.4.1, Internal Service Fund Technical Requirement, General Provisions, states, in part,

> *C. When establishing an ISF, the CMHSP may apply any method it considers appropriate to determine the amounts to be charged to the various funds covered by the ISF provided that:*

1. *The total amount charged to the various funds does not exceed the amount of the estimated liability determined pursuant to Governmental Accounting Standards Board (GASB) Statement 10, General Principles of Liability Recognition, or such other authoritative guidance as issued by the American Institute of Certified Public Accountants (AICPA); and*

2. *The estimated liability is computed based on an actuarial method or historical cost information as provided under Office of Management and Budget (OMB) Circular A-87, Attachment B, paragraph 25(d), which is attached to this document and, accordingly, made a part of this Technical Requirement. Under this method, additional charges may be made to various funds that represent a reasonable provision for expected future catastrophic losses.*

D. *Non-compliance with the provisions of GASB Statement No. 10 and OMB Circular A-87 relative to any applicable matter herein will cause the ISF charges to be unallowable for the purposes of the MDCH/CMHSP contract.*

OMB Circular A-87, Attachment B, paragraph 25(d) states, in pertinent part,

…Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions…

AKCMHSB did not use an actuarial method or historical cost information to support the establishment of the ISF for $88,353 in FY 1997-1998 as required by the Internal Service Fund Technical Requirement. The ISF for risk reserve was also reviewed for FY 1998-1999. Out of the four aspects of the risk management plan, only two were considered an acceptable analysis of future risk. The total for both aspects accepted did not equal or exceed the amount contributed to the ISF for risk. Therefore, the risk management plan was not an accurate estimate of future risk.

However, AKCMHSB ultimately needed an ISF for risk reserve. In FY 2001-2002, AKCMHSB used their entire ISF for risk to offset costs that exceeded budgeted funding

authorizations in accordance with the shared-risk provisions of the MSSSC. Therefore, no financial adjustment is proposed.

Recommendation:

We recommend AKCMHSB implement policies and procedures to ensure that the establishment and funding of all reserve accounts comply with applicable regulations and the MSSSC.

Finding

11. Procurement Practice Deficiencies

AKCMHSB purchased vehicles, equipment, software, and services in FY 2000-2001 not in compliance with the MSSSC, their own procurement policies, and sound business practices.

AKCMHSB did not adhere to their established purchasing policies related to procurement of vehicles, equipment, and software. AKCMHSB's purchasing policy requires that staff obtain three quotations for purchases between $1,000 and $5,000. The policy requires publicly solicited bids for purchases over $5,000. We found AKCMHSB purchased a computer server and software, both costing over $1,000, without obtaining the three required quotations. We found that two out of three vehicles were purchased without solicitation of bids required by their own policy. We also found that AKCMHSB purchased office furniture and a telephone system, both costing more than $5,000 each, for which they could not document competitive bid solicitation.

AKCMHSB also did not adhere to their established policies related to competitive negotiation and procurement of services. We reviewed 12 of AKCMHSB's major agency contracts. AKCMHSB used non-competitive negotiation for nine of these agency contracts. In three cases, AKCMHSB stated that the agency contractors were single source providers and qualify for non-competitive negotiation under the provisions of the MSSSC procurement technical requirements. In one case, AKCMHSB stated that the nature of a clinical placement did not allow for competitive negotiation. In five cases, AKCMHSB stated that after they solicited a number of sources, they determined competition was inadequate.

However, in all nine cases, AKCMHSB provided an after-the-fact explanation rather than documented evidence of compliance with their own prescribed procedures.

Recommendation

We recommend AKCMHSB implement policies and procedures to ensure purchases are made in compliance with the MSSSC, internal policies, and sound business practices.

Finding

12. Lack of Periodic Rate Setting

AKCMHSB did not periodically update their rate schedule as required by the MDCH administrative rules.

We determined that AKCMHSB did not periodically update their rate schedule. Also, AKCMHSB could not provide supporting documentation for all of their rates in use during our audit fieldwork. As AKCMHSB has undergone many organizational changes, in response to behavioral health managed care, the current rate schedule has questionable relevance and validity. Periodic updating of rates would ensure rates charged are reflective of current costs, and cost allocations based on service revenues are accurate.

MDCH Health Legislation and Policy Development General Rules, Section R330.2808 (6), states,

A program shall analyze per unit costs of services and establish appropriate service fees at least annually.

Recommendation

We recommend AKCMHSB implement policies and procedures to update their rate schedule at least annually.

Finding

13. Deficiencies in Risk Management Strategy

AKCMHSB's Risk Management Strategy (RMS) did not satisfy all the requirements of the MSSSC.

The MSSSC, Section 8.8.3, includes provisions for a CMHSP to establish a comprehensive risk management strategy including consideration of the CMHSP's ability to competently and comprehensively maintain a system of access, authorization, claims management, utilization management, real time data collection and analysis, and TQM practice and documentation of improvements. Section VIII of the MDCH Specialty Community Mental Health Services and Supports Plan Requirements and Technical Information, states, in part,

The MDCH/CMHSP contract requires that each CMHSP develop (and gain the MDCH approval of) a Risk Management Strategy (RMS). The RMS needs minimally individually (as tactical elements) and collectively (as an overall strategy) to consider the following factors…Factor #4: The CMHSP's ability to competently and comprehensively maintain a system of access, authorization, claims management, utilization management, real time data collection and analysis, and TQM practice and documentation of improvements.……Authorization: The authorization process involves the approval of supports and services to be provided. It is critical that a systematic method of authorization decision making is applied. At minimum, authorizations should be made only after there is clear evidence that person-centered planning has been applied…..Claims Management: Claims management initiates with the process of incurred liabilities at the point of support and service authorization. The system is maintained through immediate real time adjustments from authorizations to actual throughout the time period that each customer is provided supports and services. Incurred liabilities (Including IBNR) evolve into approved accurate actual claims and, ultimately, are paid.

AKCMHSB did not maintain a system of authorization for services in compliance with the Risk Management provision of the MSSSC. AKCMHSB did not have the ability to provide real time data collection and analysis related to service authorizations.

However, AKCMHSB did perform authorizations, claims management, and utilization management for hospital inpatient services. AKCMHSB assigned a hospitalization liaison to facilitate utilization management and cost monitoring with the Finance Office for these more costly services.

Authorization is an element of an integrated set of functions and operational practices. The authorization process involves the approval of supports and services. The claims management system is also an essential component of the CMHSP's RMS as it provides real time information regarding authorized services, liabilities for those services, and claims settlement. The system also provides information relative to first and third party reimbursements for services and the efficiency of the collection process.

Recommendation

We recommend that AKCMHSB implement an approved RMS as required by the MSSSC that addresses authorizations.

MDCH's SHARE OF COSTS AND BALANCE DUE MDCH

Objective 3: To determine MDCH's share of costs in accordance with applicable MDCH requirements and agreements, and to identify any balance due to/from AKCMHSB.

Conclusion: MDCH's obligations for FYE 9/30/2001, FYE 9/30/2000, and FYE 9/30/1999 (excluding the MIChild capitated funds, MDCH Earned Contracts, and Children's Waiver funds) after audit adjustments are $8,251,923, $7,802,733 and $7,037,043, respectively. AKCMHSB owes MDCH a balance of $819,482 after considering advances and prior settlements as summarized below:

FYE 9/30/2001 MDCH Advances in Excess of MDCH Obligation (Schedule C)	$7,905
FYE 9/30/2001 Prior Settlement (Schedule C)	115,890
FYE 9/30/2000 MDCH Advances in Excess of MDCH Obligation (Schedule F)	560,781
FYE 9/30/2000 Prior Settlement (Schedule F)	(417,487)
FYE 9/30/1999 MDCH Advances in Excess of MDCH Obligation (Schedule I)	1,058,797
FYE 9/30/1999 Prior Settlement (Schedule I)	(506,404)
Total Balance Due to MDCH	$819,482

Appendix

Schedule A
Financial Status Report
October 1, 2000 through September 30, 2001

	REVENUES	Reported Amount	Audit Adjustments	Adjusted Amount
A.	Revenues Not Otherwise Reported	$126,965	$137,024	$263,989
B.	Substance Abuse Total	-	-	-
C.	Earned Contracts (non DCH) Total	$52,159	$7,821	$59,980
1	CMH to CMH	52,159	-	52,159
2	Other	-	7,821	7,821
D.	MI Child - Mental Health	$1,899	-	$1,899
E.	Local Funding Total	$261,376	$97,807	$359,183
1	Special Fund Account (226(a))	51,062	7,481	58,543
2	All Other	210,314	90,326	300,640
F.	Reserve Balances - Planned for use	$639,410	-	$639,410
1	Carryforward -Section 226(2)(b)(c)	182,946	-	182,946
2	Internal Service Fund	456,464	-	456,464
G.	DCH Earned Contracts Total	$140,245	-	$140,245
1	PASARR	13,591	-	13,591
2	DD Council Grant	126,654	-	126,654
H.	Gross Medicaid Total	$6,394,470	-	$6,394,470
1	Medicaid - Specialty Managed Care	6,394,470	-	6,394,470
I.	Reimbursements Total	$32,926	-	$32,926
1	1st and 3rd Party	32,926	-	32,926
2	SSI		-	
J.	State General Funds Total	$1,859,095	-	$1,859,095
1	Formula Funding	1,607,935	-	1,607,935
2	Categorical Funding	30,000	-	30,000
3	State Services Base	221,160	-	221,160
K.	Grand Total Revenues	$9,508,545	$242,652	$9,751,197
L.	Estimated MDCH Obligation (G+H+J)	$8,393,810	-	$8,393,810

Schedule A
Financial Status Report
October 1, 2000 through September 30, 2001

	EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
A.	Gross Total Expenditures	$9,540,921	($36,656)	$9,504,265
B.	Expenditures Not Otherwise Reported	$126,961	$77,172	$204,133
C.	Substance Abuse Total	-	-	-
D.	Earned Contracts (Non MDCH) Total	$52,159	$7,821	$59,980
1	CMH to CMH	52,159	-	52,159
2	Other Earned Contracts	-	7,821	7,821
E.	MI Child - Mental Health	$1,899	-	$1,899
F.	Local Total	$35,172	-	$35,172
1	Local Cost for State Provided Services	35,172	-	35,172
G.	Expenditures From Reserve Balances	$182,946	-	$182,946
1	Carryforward - Sec 226(2)(b)(c)	182,946	-	182,946
H.	MDCH Earned Contracts Total	$140,245	$0	$140,245
1	PASARR	13,591	-	13,591
2	DD Council Grant	126,654	-	126,654
I.	Matchable Services (A-(B through H))	$9,001,539	($121,649)	$8,879,890
J.	Payments to MDCH for State Services	$204,288	-	$204,288
K.	Specialty Managed Care Service Total	$8,099,717	($662,040)	$7,437,677
1	100% MDCH Matchable Services	4,381,165	37,080	4,418,245
2	All SSI and Other Reimbursements	32,926	-	32,926
3	Net MDCH Share for 100 % Services (K1-K2)	4,348,239	37,080	4,385,319
4	90/10 Matchable Services	3,718,552	(699,120)	3,019,432
5	Medicaid Federal Share	2,089,083	(392,766)	1,696,317
6	Other Reimbursements	-	-	-
7	10% Local Match Funds	162,947	(30,635)	132,312
8	Net State Share for 90/10 Services (K4-K5-K6-K7)	1,466,522	(275,719)	1,190,803
9	Total MDCH Share, Spec. Mgd Care (K3+K5+K8)	7,903,844	(631,405)	7,272,439
L.	GF Categorical and Formula Services Total	$697,534	$540,391	$1,237,925
1	100% MDCH Matchable Services	66,572	(36,927)	29,645
2	All SSI and Other Reimbursements	-	-	-
3	Net GF and Formula for 100% Services (L1-L2)	66,572	(36,927)	29,645
4	90/10 Matchable Services	630,962	577,316	1,208,278
5	Reimbursements	-	-	-
6	10% Local Match Funds	63,096	57,732	120,828
7	Net GF and Formula for 90/10 Services (L4-L5-L6)	567,866	519,584	1,087,450
8	Total MDCH GF and Formula (L3+L7)	634,438	482,657	1,117,095
M.	Children's Waiver - Total	-	-	-
N.	Total Local Match Funds (K7+L6)	$226,043	$27,097	$253,140
O.	Total MDCH Share of Expenditures (J+K9+L8+M)	$8,742,570	($148,748)	$8,593,822

Schedule B

Explanation of Audit Adjustments

October 1, 2000 through September 30, 2001

Revenues	
Revenues Not Otherwise Reported	**$137,024**
$77,172 to reclassify donations revenue not considered local. (finding 3)	
$59,852 to recognize accrual basis revenues. (finding 6)	
Earned Contracts (non-MDCH)	**7,821**
To reclassify QHP revenue as Earned Contracts. (finding 4)	
Local Funding Total	**97,807**
($77,172) to reclassify donations revenue not considered local. (finding 3)	
($7,821) to reclassify QHP revenue as Earned Contracts. (finding 4)	
$182,800 to recognize accrual basis revenues. (finding 6)	
Expenditures	
Gross Total Expenditures	**(36,656)**
($167,020) to decrease by the amount of disallowed vehicles, computers, and equipment. (finding 2)	
$130,364 to increase by the amount of depreciation attributable to capitalized vehicles, computers, and equipment. (finding 2)	
Expenditures Not Otherwise Reported	**77,172**
To reclassify donations from matchable services. (finding 3)	

Schedule B – FY 2000-2001 (continued)

Earned Contracts (non-MDCH) **7,821**

To reclassify QHP revenue as Earned Contracts. (finding 4)

Matchable Services **(121,649)**

($167,020) to decrease by the amount of disallowed vehicles, computers, and equipment. (finding 2)

$130,364 to increase by the amount of depreciation attributable to capitalized vehicles, computers, and equipment. (finding 2)

($77,172) to reclassify donations from matchable services. (finding 3)

($7,821) to reclassify QHP revenue as Earned Contracts. (finding 4)

Specialty Managed Care Service Total **(662,040)**

($594,612) to adjust to underlying support. (finding 1)

($133,985) to decrease by the amount of disallowed vehicles, computers, and equipment. (finding 2)

$103,673 to increase by the amount of depreciation attributable to capitalized vehicles, computers, and equipment. (finding 2)

($34,186) to reclassify donations from matchable services. (finding 3)

($2,930) to reclassify QHP revenue as Earned Contracts. (finding 4)

GF Categorical and Formula Services Total **540,391**

$594,612 to adjust to underlying support. (finding 1)

Schedule B – FY 2000-2001 (continued)

($33,035) to decrease by the amount of disallowed vehicles, computers, and equipment. (finding 2)

$26,691 to increase by the amount of depreciation attributable to capitalized vehicles, computers, and equipment. (finding 2)

($42,986) to reclassify donations from matchable services. (finding 3)

($4,891) to reclassify QHP revenue as Earned Contracts. (finding 4)

Schedule C
Contract Reconciliation and Cash Settlement Summary
Fiscal Year Ended 9/30/01

I. Maintenance of Effort (MOE)	Total Authorization	Medicaid Expenditures	General Fund Expenditures	Savings or Carryforward	Total MDCH Share
A. Maintenance of Effort - Expenditures					
1 OBRA Active Treatment	$47,000	$10,191	$36,809	-	$47,000
2 OBRA Residential	164,772	24,600	-	8,239	32,839
3 Residential Direct Care Wage Increase #2 - 100% MOE	133,336	133,336	-	-	133,336
4 Total	$345,108	$168,127	$36,809	8,239	$213,175
5 Maintenance of Effort - Lapse					$131,933

B. Reallocation of MOE Authorization	MOE Authorization	Medicaid Percentage	General Fund Percentage	Medicaid	General Fund
1 OBRA Active Treatment	$47,000	21.68%	78.32%	$10,191	$36,809
2 OBRA Residential	164,772	100.00%	0.00%	164,772	-
3 Direct Care Wage Increase #2 - 100% MOE	133,336	100.00%	0.00%	133,336	-
4 Total	$345,108			$308,299	$36,809

II. Specialized Managed Care (Includes both state and federal share)	MDCH Revenue	MDCH Expense
A. Total - Specialized Managed Care	$6,394,470	$7,272,439
B. Maintenance of Effort - Summary	308,299	168,127
C. Net Specialized Managed Care (A-B)	$6,086,171	$7,104,312

III. State/General Fund Formula Funding		MDCH
A. GF/Formula - State and Community Managed Programs	Authorization	Expense
1 State Managed Services	$221,160	$204,288
3 Community Managed Services	1,637,935	1,117,095
4 Total State and Community Programs - GF/Formula Funding	$1,859,095	$1,321,383
B. Maintenance of Effort - Summary	36,809	36,809
C. Categorical, Special And Designated Funds		
1 Respite Grant (Tobacco Tax)	30,000	24,848
3 Total Categorical, Special and Designated Funds	$30,000	$24,848
D. Subtotal - GF/Formula Community and State Managed Programs (A-B-C)	$1,792,286	$1,259,726

Schedule C
Contract Reconciliation and Cash Settlement Summary
Fiscal Year Ended 9/30/01

	Specialized Managed Care	Formula Funds
IV. Shared Risk Arrangement		
A. Operating Budget - Exclude MOE and Categorical Funding	$6,086,171	$1,792,286
B. MDCH Share - Exclude MOE and Categorical Funding	7,104,312	1,259,726
C. Redirection of GF	442,946	(442,946)
D. Surplus (Deficit)	($575,195)	$89,614
E. Risk Band		
1 Shared Risk - CMH Portion		
Risk Band #1 Liability - CMH Portion	304,309	
Risk Band #2 Liability - CMH Portion	135,443	
Total Risk - CMH Portion	439,752	-
2 Shared Risk - MDCH Portion		
Risk Band #2 Liability - MDCH Portion	135,443	-
Risk Band #3 Liability - MDCH Portion	-	-
Total Risk - MDCH Portion	135,443	-

V. Cash Settlement	MDCH Share	Savings or Carryforward	Redirected Savings	MDCH Risk	Total	Grand Total
A. MDCH Obligation						
1 Specialty Managed Care (Net of MOE)	$6,086,171			$135,443	$6,221,614	
2 GF/Formula Funding (Net of Categorical and MOE)	1,259,726	89,614	442,946		1,792,286	
3 MOE Specialty Managed Care MDCH Obligation	168,127	8,239	-		176,366	
4 MOE GF/Formula Funding MDCH Obligation	36,809	-	-		36,809	
5 Categorical - MDCH Obligation	24,848	-	-		24,848	
6 Total - MDCH Obligation						$8,251,923
B. Advances - Prepayments						
1 Specialized Managed Care					6,394,470	
2 GF/Formula Funding - (Include MDCH Risk Authorization)					1,614,198	
3 Purchase of Services					221,160	
4 Categorical Funding					30,000	
5 Total Prepayments						8,259,828
C. Balance Due MDCH						7,905
D. Balance Due to MDCH for Unpaid State Service Costs						
State Facility Costs					204,288	
Actual Payments to MDCH					204,288	
Balance Due MDCH						-
E. Net Balance Due MDCH						$7,905
Prior Settlement						115,890
Balance Due to MDCH						$123,795

Schedule D
Financial Status Report
October 1, 1999 through September 30, 2000

	REVENUES	Reported Amount	Audit Adjustments	Adjusted Amount
A.	Revenues Not Otherwise Reported	$61,397	$158,952	$220,349
B.	Substance Abuse Total	-	-	-
C.	Earned Contracts (non DCH) Total	$73,055	$17,907	$90,962
1	CMH to CMH	73,055	-	73,055
2	Other	-	17,907	17,907
D.	MI Child - Mental Health	$3,956	-	$3,956
E.	Local Funding Total	$264,444	$44,659	$309,103
1	Special Fund Account (226(a))	73,554	(17,907)	55,647
2	All Other	190,890	62,566	253,456
F.	Reserve Balances - Planned for use	$96,996	-	$96,996
1	Carryforward -Section 226(2)(b)(c)	96,996	-	96,996
G.	DCH Earned Contracts Total	$134,727	-	$134,727
1	PASARR	11,210	-	11,210
2	Block Grant for CMH Services	123,517	-	123,517
H.	Gross Medicaid Total	$6,520,974	-	$6,520,974
1	Medicaid - Specialty Managed Care	6,520,974	-	6,520,974
2	Children's Waiver	-	-	-
I.	Reimbursements Total	$35,505	-	$35,505
1	1st and 3rd Party	35,505	-	35,505
2	SSI	-	-	-
J.	State General Funds Total	$1,838,557	-	$1,838,557
1	Formula Funding	1,773,925	-	1,773,925
2	Categorical Funding	30,000	-	30,000
3	State Services Base	32,352	-	32,352
4	MDCH Risk Authorization	2,280	-	2,280
K.	Grand Total Revenues	$9,029,611	$221,518	$9,251,129
L.	Estimated MDCH Obligation (G+H+J)	$8,494,258	-	$8,494,258

Schedule D
Financial Status Report
October 1, 1999 through September 30, 2000

	EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
A.	Gross Total Expenditures	$8,223,082	($13,213)	$8,209,869
B.	Expenditures Not Otherwise Reported	$61,397	$114,457	$175,854
C.	Substance Abuse Total	-	-	-
D.	Earned Contracts (Non MDCH) Total	$73,055	$17,907	$90,962
1	CMH to CMH	73,055	-	73,055
2	Other Earned Contracts	-	17,907	17,907
E.	MI Child - Mental Health	$3,956	-	$3,956
F.	Local Total	$31,239	-	$31,239
1	Local Cost for State Provided Services	31,239	-	31,239
G.	Expenditures From Reserve Balances	$96,996	-	$96,996
1	Carryforward - Sec 226(2)(b)(c)	96,996	-	96,996
H.	MDCH Earned Contracts Total	$134,727	$0	$134,727
1	PASARR	11,210	-	11,210
2	DD Council Grant	123,517	-	123,517
I.	Matchable Services (A-(B through H))	$7,821,712	($145,577)	$7,676,135
J.	Payments to MDCH for State Services	$221,616	-	$221,616
K.	Specialty Managed Care Service Total	$6,250,737	($193,633)	$6,057,104
1	100% MDCH Matchable Services	3,378,378	28,479	3,406,857
2	All SSI and Other Reimbursements	31,025	-	31,025
3	Net MDCH Share for 100 % Services (K1-K2)	3,347,353	28,479	3,375,832
4	90/10 Matchable Services	2,872,359	(222,112)	2,650,247
5	Medicaid Federal Share	1,582,957	(122,406)	1,460,551
6	Other Reimbursements	-	-	-
7	10% Local Match Funds	128,940	(9,971)	118,970
8	Net State Share for 90/10 Services (K4-K5-K6-K7)	1,160,462	(89,735)	1,070,726
9	Total MDCH Share, Spec. Mgd Care (K3+K5+K8)	6,090,772	(183,662)	5,907,109
L.	GF Categorical and Formula Services Total	$1,349,359	$48,056	$1,397,415
1	100% MDCH Matchable Services	306,713	(28,807)	277,906
2	All SSI and Other Reimbursements	4,480	-	4,480
3	Net GF and Formula for 100% Services (L1-L2)	302,233	(28,807)	273,426
4	90/10 Matchable Services	1,042,646	76,862	1,119,508
5	Reimbursements	-	-	-
6	10% Local Match Funds	104,265	7,686	111,951
7	Net GF and Formula for 90/10 Services (L4-L5-L6)	938,381	69,176	1,007,557
8	Total MDCH GF and Formula (L3+L7)	1,240,614	40,369	1,280,983
M.	Children's Waiver - Total	-	-	-
N.	Total Local Match Funds (K7+L6)	233,205	(2,285)	230,921
O.	Total MDCH Share of Expenditures (J+K9+L8+M)	7,553,002	(143,293)	7,409,708

Schedule E

Explanation of Audit Adjustments

October 1, 1999 through September 30, 2000

Revenues

Revenues Not Otherwise Reported **$158,952**

$98,139 to reclassify donations revenue not considered local. (finding 3)

$16,318 to reclassify Workers' Compensation refunds. (finding 5)

$44,495 to recognize accrual basis revenues. (finding 6)

Earned Contracts (non-MDCH) **17,907**

To reclassify QHP revenue as Earned Contracts. (finding 4)

Local Funding Total **44,659**

($98,139) to reclassify donations revenue not considered local. (finding 3)

($17,907) to reclassify QHP revenue as Earned Contracts. (finding 4)

($16,318) to reclassify Workers' Compensation refunds. (finding 5)

$177,023 to recognize accrual basis revenues. (finding 6)

Expenditures

Gross Total Expenditures **(13,213)**

($102,459) to decrease by the amount of disallowed vehicles, computers, and equipment. (finding 2)

$89,246 to increase by the amount of depreciation attributable to capitalized vehicles, computers, and equipment. (finding 2)

Schedule E – FY 1999-2000 (continued)

Expenditures Not Otherwise Reported	**114,457**
$98,139 to reclassify donations from matchable services. (finding 3)	
$16,318 to reclassify Workers' Compensation refund. (finding 5)	
Earned Contracts (non-MDCH)	**17,907**
To reclassify QHP revenue as Earned Contracts. (finding 4)	
Matchable Services	**(145,577)**
($102,459) to decrease by the amount of disallowed vehicles, computers, and equipment. (finding 2)	
$89,246 to increase by the amount of depreciation attributable to capitalized vehicles, computers, and equipment. (finding 2)	
($98,139) to reclassify donations from matchable services. (finding 3)	
($17,907) to reclassify QHP revenue as Earned Contracts. (finding 4)	
($16,318) to reclassify Workers' Compensation refund. (finding 5)	
Specialty Managed Care Service Total	**(193,633)**
($111,376) to adjust to underlying support. (finding 1)	
($79,892) to decrease by the amount of disallowed vehicles, computers, and equipment. (finding 2)	
$66,486 to increase by the amount of depreciation attributable to capitalized vehicles, computers, and equipment. (finding 2)	

Schedule E – FY 1999-2000 (continued)

($47,880) to reclassify donations from matchable services. (finding 3)

($7,165) to reclassify QHP revenue as Earned Contracts. (finding 4)

($13,806) to reclassify Workers' Compensation refund. (finding 5)

GF Categorical and Formula Services Total **48,056**

$111,376 to adjust to underlying support. (finding 1)

($22,567) to decrease by the amount of disallowed vehicles, computers, and equipment. (finding 2)

$22,760 to increase by the amount of depreciation attributable to capitalized vehicles, computers, and equipment. (finding 2)

($50,259) to reclassify donations from matchable services. (finding 3)

($10,742) to reclassify QHP revenue as Earned Contracts. (finding 4)

($2,512) to reclassify Workers' Compensation refund. (finding 5)

Schedule F
Contract Reconciliation and Cash Settlement Summary
Fiscal Year Ended 9/30/00

I. Maintenance of Effort (MOE)	Total Authorization	Medicaid Expenditures	General Fund Expenditures	Savings or Carryforward	Total MDCH Share
A. Maintenance of Effort - Expenditures					
1 OBRA Active Treatment	$47,000	$2,087	$44,913	-	$47,000
2 OBRA Residential	164,772	32,018	-	8,239	40,257
3 Residential Direct Care Wage Increase #1 - 100% MOE	158,065	158,065	-	-	158,065
4 Residential Direct Care Wage Increase #2 - 100% MOE	133,336	116,446	16,890	-	133,336
5 Total	$503,173	$308,616	$61,803	$8,239	$378,658
6 Maintenance of Effort - Lapse					$124,515

B. Reallocation of MOE Authorization	MOE Authorization	Medicaid Percentage	General Fund Percentage	Medicaid	General Fund
1 OBRA Active Treatment	$47,000	4.44%	95.56%	$2,087	$44,913
2 OBRA Residential	164,772	100.00%	0.00%	164,772	-
3 Residential Direct Care Wage Increase #1 - 100% MOE	158,065	100.00%	0.00%	158,065	-
4 Direct Care Wage Increase #2 - 100% MOE	133,336	87.33%	12.67%	116,446	16,890
5 Total	$503,173			$441,370	$61,803

II. Specialized Managed Care (Includes both state and federal share)	MDCH Revenue	MDCH Expense
A. Total - Specialized Managed Care	$6,520,974	$5,907,109
B. Maintenance of Effort - Summary	441,370	308,616
C. Net Specialized Managed Care (A-B)	$6,079,604	$5,598,493

III. State/General Fund Formula Funding		MDCH
A. GF/Formula - State and Community Managed Programs	Authorization	Expense
1 State Managed Services	$32,352	$221,616
2 MDCH Risk Authorization - MDCH Approved for Use	2,280	2,280
3 Community Managed Services	1,803,925	1,278,703
4 Total State and Community Programs - GF/Formula Funding	$1,838,557	$1,502,599
B. Maintenance of Effort - Summary	61,803	61,803
C. Categorical, Special And Designated Funds		
1 Respite Grant (Tobacco Tax)	30,000	24,805
3 Total Categorical, Special and Designated Funds	$30,000	$24,805
D. Subtotal - GF/Formula Community and State Managed Programs (A-B-C)	$1,746,754	$1,415,991

Schedule F
Contract Reconciliation and Cash Settlement Summary
Fiscal Year Ended 9/30/00

	Specialized Managed Care	Formula Funds
IV. Shared Risk Arrangement		
A. Operating Budget - Exclude MOE and Categorical Funding	$6,079,604	$1,746,754
B. MDCH Share - Exclude MOE and Categorical Funding	5,598,493	1,415,991
C. Surplus (Deficit)	$481,111	$330,763
D. Risk Band - 5% of Operating Budget (A x 5%)	$303,980	$87,338

V. Cash Settlement	MDCH Share	Approved Savings or Carryforward	Total	Grand Total
A. MDCH Obligation				
1 Specialty Managed Care (Net of MOE)	$5,598,493	$297,448	$5,895,941	
2 GF/Formula Funding (Net of Categorical and MOE)	1,415,991	87,338	1,503,329	
3 MOE Specialty Managed Care MDCH Obligation	308,616	8,239	316,855	
4 MOE GF/Formula Funding MDCH Obligation	61,803	-	61,803	
5 Categorical - MDCH Obligation	24,805	-	24,805	
6 Total - MDCH Obligation				$7,802,733
B. Advances - Prepayments				
1 Specialized Managed Care			6,520,974	
2 GF/Formula Funding - (Include MDCH Risk Authorization)			1,780,188	
3 Purchase of Services			32,352	
4 Categorical Funding			30,000	
5 Total Prepayments				8,363,514
C. Balance Due MDCH				560,781
D. Balance Due to MDCH for Unpaid State Service Costs				
State Facility Costs			221,616	
Actual Payments to MDCH			221,616	
Balance Due MDCH				-
E. Net Balance Due MDCH				$560,781
Prior Settlement				(417,487)
Balance Due to MDCH				$143,294

Note: Retention of the full Medicaid Savings amount of $303,980 is contingent upon an approved Reinvestment Plan

Schedule G
Financial Status Report
October 1, 1998 through September 30, 1999

	REVENUES	Reported Amount	Audit Adjustments	Adjusted Amount
A.	Revenues Not Otherwise Reported	$67,579	$103,166	$170,745
B.	Substance Abuse Total	-	-	-
C.	Earned Contracts (non DCH) Total	$18,125	-	$18,125
1	CMH to CMH	18,125	-	18,125
D.	MI Child - Mental Health	$1,763	-	$1,763
E.	Local Funding Total	$210,930	$119,520	$330,450
1	Special Fund Account (226(a))	36,454	-	36,454
2	All Other	174,476	119,520	293,996
F.	Reserve Balances - Planned for use	$213,176	-	$213,176
G.	DCH Earned Contracts Total	$77,996	-	$77,996
1	PASARR	9,536	-	9,536
2	Block Grant for CMH Services	47,158	-	47,158
3	DD Council Grants	21,302	-	21,302
H.	Gross Medicaid Total	$6,298,195	-	$6,298,195
1	Medicaid - Specialty Managed Care	6,279,914	-	6,279,914
2	Children's Waiver	18,281	-	18,281
I.	Reimbursements Total	$27,524	-	$27,524
1	1st and 3rd Party	27,524	-	27,524
2	SSI	-	-	-
J.	State General Funds Total	$1,794,582	-	$1,794,582
1	Formula Funding	1,720,719	-	1,720,719
2	Categorical Funding	30,000	-	30,000
3	State Services Base	38,047	-	38,047
4	Risk Authorization	5,816	-	5,816
K.	Grand Total Revenues	$8,709,870	$222,686	$8,932,556
L.	Estimated MDCH Obligation (G+H+J)	$8,170,773	-	$8,170,773

Schedule G
Financial Status Report
October 1, 1998 through September 30, 1999

	EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
A.	Gross Total Expenditures	$8,122,082	($483,572)	$7,638,510
B.	Expenditures Not Otherwise Reported	$67,580	$103,166	$170,746
C.	Substance Abuse			
D.	Earned Contracts (Non MDCH) Total	$18,125	-	$18,125
1	CMH to CMH	18,125	-	18,125
E.	MI Child - Mental Health	$1,763	-	$1,763
F.	Local Total	$29,039	-	$29,039
1	Local Cost for State Provided Services	29,039	-	29,039
G.	Expenditures From Reserve Balances	$213,176	-	$213,176
1	Carryforward - Sec 226(2)(b)(c)	213,176	-	213,176
H.	MDCH Earned Contracts Total	$77,996	$0	$77,996
1	PASARR	9,536	-	9,536
2	Block Grant for CMH Services	47,158	-	47,158
3	DD Council Grant	21,302	-	21,302
I.	Matchable Services (A-(B through H))	$7,714,403	($586,738)	$7,127,665
J.	Payments to MDCH for State Services	$20,643	-	$20,643
K.	Specialty Managed Care Service Total	$6,889,688	($457,999)	$6,431,689
1	100% MDCH Matchable Services	4,711,225	(3,827)	4,707,398
2	All SSI and Other Reimbursements	27,524	-	27,524
3	Net MDCH Share for 100 % Services (K1-K2)	4,683,701	(3,827)	4,679,874
4	90/10 Matchable Services	2,178,463	(454,172)	1,724,291
5	Medicaid Federal Share	1,148,486	(239,439)	909,047
6	Other Reimbursements	-	-	-
7	10% Local Match Funds	102,998	(21,473)	81,524
8	Net State Share for 90/10 Services (K4-K5-K6-K7)	926,979	(193,260)	733,720
9	Total MDCH Share, Spec. Mgd Care (K3+K5+K8)	6,759,166	(436,526)	6,322,641
L.	GF Categorical and Formula Services Total	$785,791	($128,739)	$657,052
1	100% MDCH Matchable Services	54,177	(27)	54,150
2	All SSI and Other Reimbursements	-	-	-
3	Net GF and Formula for 100% Services (L1-L2)	54,177	(27)	54,150
4	90/10 Matchable Services	731,614	(128,712)	602,902
5	Reimbursements			
6	10% Local Match Funds	73,161	(12,871)	60,290
7	Net GF and Formula for 90/10 Services (L4-L5-L6)	658,453	(115,841)	542,612
8	Total MDCH GF and Formula (L3+L7)	712,630	(115,868)	596,762
M.	Children's Waiver - Total	$18,281	-	$18,281
N.	Total Local Match Funds (K7+L6)	$176,159	($34,344)	$141,814
O.	Total MDCH Share of Expenditures (J+K9+L8+M)	$7,510,720	($552,394)	$6,958,327

Schedule H

Explanation of Audit Adjustments

October 1, 1998 through September 30, 1999

Revenues	
Revenues Not Otherwise Reported	**$103,166**
$87,429 to reclassify donations revenue not considered local. (finding 3)	
$15,737 to reclassify Workers' Compensation refunds. (finding 5)	
Local Funding Total	**119,520**
($87,429) to reclassify donations revenue not considered local. (finding 3)	
($15,737) to reclassify Workers' Compensation refund. (finding 5)	
$222,686 to recognize accrual basis revenues. (finding 6)	
Expenditures	
Gross Total Expenditures	**(483,572)**
($494,723) to decrease by the amount of disallowed vehicles, computers, and equipment. (finding 2)	
$11,151 to increase by the amount of depreciation attributable to capitalized vehicles, computers, and equipment. (finding 2)	
Expenditures Not Otherwise Reported	**103,166**
$87,429 to reclassify donations from matchable services. (finding 3)	
$15,737 to reclassify Workers' Compensation refund. (finding 5)	

Schedule H – FY 1998-1999 (continued)

Matchable Services **(586,738)**

($494,723) to decrease by the amount of disallowed vehicles, computers, and equipment. (finding 2)

$11,151 to increase by the amount of depreciation attributable to capitalized vehicles, computers, and equipment. (finding 2)

($87,429) to reclassify donations from matchable services. (finding 3)

($15,737) to reclassify Workers' Compensation refund. (finding 5)

Specialty Managed Care Service Total **(457,999)**

($380,338) to decrease by the amount of disallowed vehicles, computers, and equipment. (finding 2)

$8,543 to increase by the amount of depreciation attributable to capitalized vehicles, computers, and equipment. (finding 2)

($72,545) to reclassify donations from matchable services. (finding 3)

($13,659) to reclassify Workers' Compensation refund. (finding 5)

GF Categorical and Formula Services Total **(128,739)**

($114,385) to decrease by the amount of disallowed vehicles, computers, and equipment. (finding 2)

$2,608 to increase by the amount of depreciation attributable to capitalized vehicles, computers, and equipment. (finding 2)

Schedule H – FY 1998-1999 (continued)

($14,884) to reclassify donations from matchable services. (finding 3)

($2,078) to reclassify Workers' Compensation refund. (finding 5)

Schedule I
Contract Reconciliation and Cash Settlement Summary
Fiscal Year Ended 9/30/99

I. Maintenance of Effort (MOE)	Total Authorization	Medicaid Expenditures	General Fund Expenditures	Savings or Carryforward	Total MDCH Share
A. Maintenance of Effort - Expenditures					
1 OBRA Active Treatment	$47,000	$9,118	$29,264	$2,350	$40,732
2 OBRA Residential	164,772	98,064	359	8,239	106,662
3 Residential Direct Care Wage Increase #1 - 100% MOE	158,065	152,028	-	-	152,028
4 Residential Direct Care Wage Increase #2 - 100% MOE	66,668	62,760	-	-	62,760
5 Total	$436,505	$321,970	$29,623	$10,589	$362,182
6 Maintenance of Effort - Lapse					$74,323

B. Reallocation of MOE Authorization	MOE Authorization	Medicaid Percentage	General Fund Percentage	Medicaid	General Fund
1 OBRA Active Treatment	$47,000	23.76%	76.24%	$11,167	$35,833
2 OBRA Residential	164,772	99.64%	0.36%	164,179	593
Direct Care Wage Increase #1 - 100% MOE	158,065	100.00%	0.00%	158,065	-
3 Direct Care Wage Increase #2 - 100% MOE	66,668	100.00%	0.00%	66,668	-
4 Total	$436,505			$400,079	$36,426

II. Specialized Managed Care (Includes both state and federal share)	MDCH Revenue	MDCH Expense
A. Total - Specialized Managed Care	$6,279,914	$6,322,641
B. Maintenance of Effort - Summary	400,079	321,970
C. Net Specialized Managed Care (A-B)	$5,879,835	$6,000,671

III. State/General Fund Formula Funding		MDCH
A. GF/Formula - State and Community Managed Programs	Authorization	Expense
1 State Managed Services	$38,047	$20,643
2 MDCH Risk Authorization - MDCH Approved for Use	5,816	5,816
3 Community Managed Services	1,750,719	590,946
4 Total State and Community Programs - GF/Formula Funding	$1,794,582	$617,405
B. Maintenance of Effort - Summary	36,426	29,623
C. Categorical, Special And Designated Funds		
1 Respite Grant (Tobacco Tax)	30,000	30,000
2 Total Categorical, Special and Designated Funds	$30,000	$30,000
D. Subtotal - GF/Formula Community and State Managed Programs (A-B-C)	1,728,156	557,782

Schedule I
Contract Reconciliation and Cash Settlement Summary
Fiscal Year Ended 9/30/99

	Specialized Managed Care	Formula Funds
IV. Shared Risk Arrangement		
A. Operating Budget - Exclude MOE and Categorical Funding	$5,879,835	$1,728,156
B. MDCH Share - Exclude MOE and Categorical Funding	6,000,671	557,782
C Redirection	120,836	(120,836)
D. Surplus (Deficit)	-	$1,049,538
E. Risk Band - 5% of Operating Budget (A x 5%)	$293,992	$86,408

V. Cash Settlement	MDCH Share	Savings or Carryforward	Redirected Savings	Total	Grand Total
A. MDCH Obligation					
1 Specialty Managed Care (Net of MOE)	$6,000,671	-	($120,836)	$5,879,835	
2 GF/Formula Funding (Net of Categorical and MOE)	557,782	86,408	120,836	765,026	
3 MOE Specialty Managed Care MDCH Obligation	321,970	8,767	-	330,737	
4 MOE GF/Formula Funding MDCH Obligation	29,623	1,822	-	31,445	
5 Categorical - MDCH Obligation	30,000	-	-	30,000	
6 Total - MDCH Obligation					$7,037,043
B. Advances - Prepayments					
1 Specialized Managed Care				6,279,914	
2 GF/Formula Funding - (Include MDCH Risk Authorization)				1,734,296	
3 Purchase of Services				38,047	
4 Categorical Funding				30,000	
5 Total Prepayments					8,082,257
C. Balance Due MDCH					1,045,214
D. Balance Due to MDCH for Unpaid State Service Costs					
State Facility Costs				20,643	
Actual Payments to MDCH				7,060	
Balance Due MDCH					13,583
E. Net Balance Due MDCH					$1,058,797
Prior Settlement					(506,404)
Balance Due to MDCH					$552,393

Corrective Action Plan

Finding No. 1

Reference: Page 4

Finding: Incorrect Statistics Used in Cost Allocation

AKCMHSB did not properly allocate costs between Medicaid and General Fund as reported on their FY 2000-2001 and FY 1999-2000 FSRs in compliance with Office of Management and Budget (OMB) Circular A-97 and the MSSSC.

Recommendation: Implement policies and procedures to ensure accurate cost allocation in compliance with the MSSSC, OMB Circular A-87, and sound business practices.

CMHSP Comments: North Country Community Mental Health Authority (NCCMHA) stated that they were not clear how AKCMHSB allocated costs to Medicaid and General Fund, nor what was inaccurate about the costing methodology. NCCMHA believes that the allocation was based on the best information available at the time, expenditures did occur, and the adjustment made by the MDCH auditors was just a bookkeeping adjustment. NCCMHA also believes that any improper allocations were done as an innocent error, if an error had, in fact, occurred. NCCMHA stated that for these reasons and the fact that AKCMHSB staff is no longer available to defend their method of allocation, no payback should be required.

NCCMHA stated that they are currently using Avatar software to track services. The Avatar system maintains charges for client services by program, service code and guarantor as well as identifies service charges

for Medicaid, General Fund, Child Waiver, Adult Benefits Waiver, and MI Child recipients by general ledger program number. NCCMHA states that this information assists in the proper classification of costs for the FSR that meets the standards identified by the audit team concerning appropriate cost allocation methodology.

Corrective Action: The current system is adequate and no corrective action is necessary, according to NCCMHA.

Anticipated Completion Date: Completed according to NCCMHA.

MDCH Response: NCCMHA stated that they are not clear how AKCMHSB allocated their costs to Medicaid verses General Fund, nor what was inaccurate about the cost methodology. The allocation percentages from the provider's workpapers were not consistent with the provider's Accounts Receivable to General Ledger (AR to GL) Postings. The finding adjusts the allocation between Medicaid and General Fund to coincide with the general ledger. Even though AKCMHSB staff may no longer be available, copies of the provider's workpaper and the monthly AR to GL Posting are on hand to sufficiently support the adjustment.

Corrective Action Plan

Finding No. 2

Reference: Page 6

Finding: Improper Reporting of Capital Asset Purchases

AKCMHSB did not report purchases of vehicles, computers, and office equipment on the FSRs in compliance with OMB Circular A-87, the MSSSC and guidance from MDCH.

Recommendation: Adopt policies and procedures to ensure that expenses related to capital asset purchases are reported in compliance with OMB Circular A-87, the MSSSC and guidance from MDCH.

CMHSP Comments: NCCMHA stated that the finding is a result of confusing and conflicting requirements of CMH programs at the time of the finding. They noted that historically CMH agencies were required to expense equipment items. NCCMHA quoted Section 8.6 of the MSSSC, which states, in part:

> *The CMHSP shall adhere to Generally Accepted Accounting Principles. The final expenditure report shall reflect incurred but not paid claims. The following documents shall guide program accounting procedures:*
>
> 1. *Generally Accepted Accounting Principles for Governmental Units.*
> 2. *Audits of State and Local Governmental Units, issued by the American Institute of Certified Public Accountants (current edition).*
> 3. *OMB A-87 (current standards).*

NCCMHA stated that the clause invokes both GAAP and OMB A-87 as guiding documents, but that they must adhere to GAAP. NCCMHA believes that due to GAAP requiring direct expensing of assets and the historical expectations of CMH programs of asset reporting, MDCH had an affirmative obligation to inform the CMH system that depreciation was a requirement under the MSSSC. NCCMHA addressed the authoritative statements made by senior MDCH representatives prior to and during the contract period that indicated that it was not necessary to apply the OMB A-87 depreciation requirement. Therefore, in the presumed absence of clear directives to the contrary, AKCMHSB continued to adhere to GAAP as in the past.

NCCMHA mentioned the results of two Circuit Court cases that support AKCMHSB's position regarding expensing verses depreciation. They first quoted the Opinion and Order in Livingston County Circuit Court case No. 04-20518 AA (Livingston County CMHSP vs. Michigan Department of Community Health):

> *Under the old system, it was the long-standing policy and practice of the MDCH not to require CMHSPs to depreciate their equipment purchases. The record also clearly establishes that MDCH never sent out a bulletin or other written directive to the CMH system advising that its no-deprecation policy would change under the new managed care contract. The MDCH affirmatively, and in writing, advised the CMH system that the MDCH would not require depreciation under the new system. There is no question the MDCH policy under the new managed care contract was not to require deprecation.*

It was noted that the Circuit Court Judge in this case reversed the decision of the MDCH Administrative Tribunal and found in favor of Livingston

County CMH. NCCMHA also quoted the 48th Circuit Court case No. 04-36135-AA (Allegan County CMHSP vs. Michigan Department of Community Health), which stated, in part:

> *Paragraph 8.6 is ambiguous. As demonstrated above, paragraph 8.6 is easily susceptible to multiple interpretations. According to the record, it appears that both Generally Accepted Accounting Principles for Governmental Units and Audits of State and Local Governmental Units require assets to be expensed in the year that they are purchased. Both of these provisions are found in paragraph 8.6. OMB Circular A-87 is the only document that requires assets to be depreciated and even then, depreciation is only required in certain circumstances. There is no language contained in paragraph 8.6 or elsewhere in the MSSSC that helps clarify this confusing point. The apparent conflict between these three documents creates an ambiguity.*

NCCMHA believes that there is evidence to support the contention that there is at least confusion surrounding the requirements for depreciation, if not outright instruction to expense capital asset purchases as done in past practice. It is for these reasons that NCCMHA requests for the finding to be removed from the audit report.

Corrective Action: It is now the policy of NCCMHA to capitalize and depreciate individual fixed assets costing $5,000 or greater according to NCCMHA.

Anticipated Completion Date: Already completed, as described above according to NCCMHA

MDCH Response: NCCMHA stated that historically AKCMHSB was required to expense equipment. However, the MSSSC states that both the MDCH and the CMHSP recognize that the new contract is a departure from the previous agreement that expired on September 30, 1998. The MSSSC also states that OMB Circular A-87, among other documents, shall guide program accounting procedures. OMB Circular A-87 requires that depreciation or a use allowance be used to allocate cost over the useful life of a fixed asset. MDCH's audit adjustments reflect the implementation of this provision.

NCCMHA stated that AKCMHSB adhered to GAAP when reporting asset purchases for a governmental entity. OMB Circular A-87 states that unless it is otherwise provided for in the Circular, costs shall be determined in accordance with generally accepted accounting principles. Since the depreciation of capital assets is addressed in OMB Circular A-87, GAAP standards of the modified accrual basis of reporting asset costs do not apply to the Financial Status Report.

However, any conflict between the modified accrual basis of accounting recommended in GAAP verses OMB Circular A-87 is irrelevant since the MSSSC, Attachment 8.9.1, Section 1.3 - Financial Status Report requires the CMHSP to use accrual accounting. Under the accrual basis, property, plant, and equipment purchases are to be capitalized and depreciated over their economic life, which is consistent with OMB Circular A-87.

NCCMHA stated they received authoritative statements from MDCH prior to and during the fiscal years audited, dismissing the applicability of OMB Circular A-87. It should be noted that AKCMHSB also received correspondence from the MDCH Director, Revenue Enhancement Division dated May 12, 1997 that informed them that the Medicaid Managed Care program was subject to the provisions of OMB Circular A-87. Regardless, the MSSSC, section 3.6 states that no other understanding,

oral or otherwise, regarding the subject matter of this Contract shall be deemed to exist or to bind any of the parties hereto.

OMB Circular A-87 makes reference to its own applicability to organizations that receive Federal awards under cost reimbursement contracts. OMB Circular A-87 states that the principles will be applied by all Federal agencies in determining costs incurred by governmental units under Federal awards. Since the MSSSC is a cost-settled agreement involving a Federal award, the principles documented in OMB Circular A-87 shall be applied to the Financial Status Report.

NCCMHA cites the Circuit Court cases from Livingston and Allegan Counties. However, these have not been accepted as precedent by MDCH and do not in any way supersede MSSSC requirements or OMB Circular A-87.

Corrective Action Plan

Finding No. 3

Reference: Page 8

Finding: Donation Reporting Errors

AKCMHSB did not properly report clubhouse and medication donations in FY 2000-2001, in FY 1999-2000, and in FY 1998-1999 in compliance with the MSSSC, OMB Circular A-87, and the Mental Health Code.

Recommendation: Implement policies and procedures to ensure that all revenues and matchable expenditures are properly reported in compliance with the MSSSC, OMB Circular A-87, and the Mental Health Code.

CMHSP Comments: NCCMHA stated that AKCMHSB did not improperly report donations, but acted in accordance with direction given by senior MDCH staff regarding the treatment of the donations. NCCMHA referred to a May 7, 1997 correspondence from AKCMHSB to an MDCH contract manager stating other members of MDCH informed them that donations of durable goods could be used to meet their local match requirement if a fair market value was assigned to the items. NCCMHA stated that AKCMHSB was granted specific permission from the MDCH contract manager and thus their actions were not to circumvent contract requirements, but were to follow advice given by the MDCH staff.

NCCMHA referred to another letter regarding the medication samples used as donations. This November 7, 2001 correspondence documented the receipt of the medication samples for use by consumers that are

uninsured and declares that the "in-kind" donation be used to offset any local match shortfalls and are not to be recognized as other revenue for the purpose of reducing MDCH financial obligation.

NCCMHA stated that since the AKCMHSB Finance Director acted in good faith and followed guidance she received from MDCH, the adjustment should be removed from the audit report.

Corrective Action: NCCMHA has never used donated goods as local match, and follows its Board adopted policy on reporting requirements according to NCCMHA.

Anticipated Completion Date: Already completed, as described above according to NCCMHA

MDCH Response: NCCMHA cited the May 7, 1997 letter to the MDCH contract manager from AKCMHSB requesting authorization to record the contribution of durable goods as a donation, which could then be used to meet their local match requirement. Examples given in the letter were furniture and appliances for the supported independence program, canned goods for the Clubhouse, new shingles and paint for the storage shed at the Clubhouse and detailing of agency cars. The letter also explains that these donated items would have been purchased for their programs if someone had not donated them. However, the donations recorded in the audit period consisted of food, clothing, bedding, antiques, stereo and speakers, books, toys, a canvas tent and other non-reimbursable goods. These are not used in the Clubhouse, but rather taken by the consumers. Since these items are not used at the Clubhouse program nor would have to be purchased if someone had not donated them, they are not allowable as local match donations.

NCCMHA referred to the November 7, 2001 letter from Janssen Pharmaceuticals requiring the medication donations to be used as local match revenue and not reported as other revenue that would reduce Medicaid expenditures. Even though Janssen Pharmaceuticals requested that the donations be used as local match, they are unable to supersede the MSSSC. The MSSSC does not cover drug costs since they do not represent a plan service or a mental health service that is provided by formula or categorical funding. As such, they are not a donation that replaces a matchable cost that AKCMHSB would normally incur.

Corrective Action Plan

Finding No. 4

Reference: Page 11

Finding: Errors in Reported Earned Contracts Revenues and Expenditures

AKCMHSB did not properly report revenues and expenditures from earned contracts with Qualified Health Plans ("QHP") in FY 2000-2001 and FY 1999-2000 in compliance with the MSSSC and FSR instructions.

Recommendation: Implement policies and procedures to ensure that all costs related to earned contracts are properly reported in compliance with the MSSSC and FSR instructions.

CMHSP Comments: NCCMHA stated that under Public Act 423, participating CMHSPs were permitted to convert fee revenue into local funds, which may be used as local match. NCCMHA stated that the issue is whether the fees collected from Qualified Health Plans can be used as local match under PA 423 and that it was determined by MDCH audit that they are not. NCCMHA noted that AKCMHSB relied on the MDCH Question and Answer Memorandum, dated September 15, 1998. The memorandum was quoted as stating, in part:

> *The MDCH provides Health Plans capitation payments using public Medicaid funds. However, these funds lose their identity as public funds and become the equivalent of private insurance dollars when received by the Health Plans and then utilized as payments to their respective contract service providers. Such funds, paid to CMHSPs*

for the provision of services (presumably the 20 outpatient visits benefit) qualify as PA 423 funds.

NCCMHA stated that MDCH audit acknowledged that the CMHSPs received this guidance from MDCH staff, but stated that nothing from the federal government supports this treatment. NCCMHA believes that since AKCMHSB relied on its contract with MDCH and additional guidance from authoritative sources at MDCH they should be relieved of any financial obligation for the audit adjustment. Therefore, it is requested that the audit adjustment be removed from the final report.

Corrective Action: NCCMHA stated that they do not, nor did Northern Michigan CMH use fee revenue from QHPs as a source of local match.

Anticipated Completion Date: Already completed, as described above according to NCCMHA

MDCH Response: NCCMHA stated that since AKCMHSB relied on the guidance from MDCH staff regarding the use of fee revenue as local match, they should be relieved of any financial obligation for the audit adjustment. The MDCH Question and Answer Memorandum states that funds paid to the QHPs by MDCH lose their identity as public funds and become the equivalent of private insurance dollars; funds that are then paid to the CMHSPs for the 20 outpatient services qualify as PA 423 funds. Federal requirements do not support this treatment of Medicaid funds. Changing the nature of Medicaid funds would be an inappropriate subsidy for services for the uninsured and a violation of Section 1903 of the Social Security Act, which requires the use of Medicaid funds for Medicaid recipients. Also, the Public Mental Health Manual (Volume IV, Section 001, Subject 003, Chapter F, dated 9/27/89, page 2) excludes Medicaid

funds from being included in the special fund account, which includes PA 423 funds.

The MDCH Specialty Community Mental Health Services and Supports Plan Requirements and Technical Information allows CMHSPs to use state funds to offset the difference between revenues secured through third party and the actual cost of priority population consumers. The Plan Requirements continue to instruct that the "20 outpatient" services do not meet the priority population criteria. Therefore, expenditures related to the QHP 20 outpatient services are not covered services and are the responsibility of AKCMHSB and not MDCH.

Corrective Action Plan

Finding No. 5

Reference: Page 14

Finding: Errors in Reporting Workers' Compensation Insurance Refunds

AKCMHSB did not properly report Workers' Compensation insurance refunds in FY 1999-2000 and in FY 1998-1999 in compliance with the MSSSC and OMB Circular A-87.

Recommendation: Implement policies and procedures to ensure that insurance refunds are applied against related expenditures in compliance with the MSSSC and OMB Circular A-87.

CMHSP Comments: NCCMHA assumed that the Workers' Compensation insurance refunds were received after the fact and that AKCMHSB staff acted in good faith in reporting them as local match. They also noted that NCCMHA has never used Workers' Compensation insurance refunds as local match and has always applied insurance and other various credits against related expenditures. NCCMHA's Board has adopted a policy that states that the agency shall comply with reporting requirements specified in various contracts and grants with MDCH.

Corrective Action: The reporting of Workers' Compensation insurance refunds has been corrected in the new agency according to NCCMHA.

Anticipated Completion Date: Already completed, as described above according to NCCMHA

MDCH Response: None.

Corrective Action Plan

Finding No. 6

Reference: Page 15

Finding: FSR Revenue Reporting Errors

AKCMHSB did not properly report Local Revenue and Revenues Not Otherwise Reported on the FSRs for FY 2000-2001, FY 1999-2000, and FY 1998-1999 on the accrual basis of accounting in compliance with the MSSSC.

Recommendation: Implement policies and procedures to ensure that revenues are reported on the accrual basis in compliance with the MSSSC and FSR reporting instructions.

CMHSP Comments: NCCMHA stated that they report revenue and expenditures on a full accrual basis and has a Board adopted policy addressing full accrual accounting.

Corrective Action: None necessary, as stated by NCCMHA.

Anticipated Completion Date: Already completed, as described above according to NCCMHA

MDCH Response: None.

Corrective Action Plan

Finding No. 7

Reference: Page 16

Finding: Improper Payroll Expense Allocation

AKCMHSB did not document payroll expense allocations in compliance with the MSSSC and OMB Circular A-87.

Recommendation: Implement policies and procedures to ensure personnel cost allocations and documentation comply with OMB Circular A-87. We also recommend AKCMHSB retain documentation supporting their personnel cost allocations in compliance with the requirements in the MSSSC, Section 4.11.

CMHSP Comments: NCCMHA noted that MDCH did not identify any material impropriety in the allocation of payroll costs that would result in a financial adjustment.

NCCMHA stated that they use an encounter data system to distribute payroll costs by tracking the encounters provided to the various program cost centers. Then, based on the data reported, distributions are determined after-the-fact to the various program cost centers. The data system also tracks what guarantor pays for the service provided.

NCCMHA stated that all of their employees are required to complete timesheets for every bi-weekly payroll period worked. These timesheets specify the program or programs the employee worked in and are signed

by the employee and supervisor. It was also stated that their Board adopted a policy regarding record retention.

Corrective Action: NCCMHA stated that it is assumed, based on the above, that the finding noted has been corrected and that no corrective action is necessary.

Anticipated Completion Date: Already completed, as described above according to NCCMHA

MDCH Response: According to OMB Circular A-87, distributions of salaries and wages must be supported by personnel activity reports or equivalent documentation that:

a.) reflect an after-the-fact distribution of the actual activity of each employee,

b.) account for the total activity for which each employee is compensated,

c.) are prepared at least monthly and coincide with one or more pay periods, and

d.) are signed by the employee.

According to NCCMHA's response, the signed time sheets are not used to distribute payroll costs. Rather, the encounter data system is used to distribute payroll costs. NCCMHA must take action to ensure the encounter data system information and time sheets agree, and all of the above documentation requirements are met.

Corrective Action Plan

Finding No. 8

Reference: Page 18

Finding: FIA Home Help Services Expenditures Reporting Error

AKCMHSB improperly supplemented the cost of Michigan Family Independence Agency ("FIA") Home Help personal care services to CMHSP consumers for FY 2000-2001, FY 1999-2000, and FY 1998-1999 in violation of the MSSSC.

Recommendation: Implement policies and procedures to report FIA Home Help expenditures as Earned Contracts in compliance with the MSSSC and the related MDCH Policy Hearing Authority Decision.

CMHSP Comments: NCCMHA stated that AKCMHSB were not improper under the contract in the supplementation of Home Help services that are reimbursed by FIA (currently the Department of Human Services, DHS). They explained that their personnel are also training people to live independently in the community while providing the Home Help services. NCCMHA believes that the training aspect of the service is a mental health responsibility and is an appropriate use of CMH funds. It is also noted that since both services happen at the same time, it is not possible to separate the costs, nor is it realistic to have someone provide the more specialized training at the rate of reimbursement offered by DHS. NCCMHA considers this an integrated service wherein DHS is charged for their responsible amount and then Medicaid or General Fund is charged for the primary mental

health service since documentation in the case records reflects that both services are required.

Corrective Action: NCCMHA stated that even though they believe no corrective action plan is required, documentation would be reviewed to ensure that both components of service are necessary and received.

Anticipated Completion Date: April 1, 2006

MDCH Response: None.

Corrective Action Plan

Finding No. 9

Reference: Page 21

Finding: Lack of Administrative Cost Allocation

AKCMHSB did not properly allocate administrative indirect costs in FY 2000-2001, in FY 1999-2000, and in FY 1998-1999 as required by OMB Circular A-87 and the MSSSC.

Recommendation: Implement policies and procedures to ensure total costs are reported on the FSRs in compliance with OMB Circular A-87 and the MSSSC.

CMHSP Comments: NCCMHA stated that while AKCMHSB reported the administrative costs in a separate 90/10% matchable cost center, NCCMHA distributes administrative indirect costs to all programs that receive benefits from the administrative function. There are written procedures in place to allocate the indirect costs.

Corrective Action: NCCMHA stated that no corrective action is needed as the new organization properly spreads administrative costs and procedures are in place to do so.

Anticipated Completion Date: Already completed, as described above according to NCCMHA

MDCH Response: None.

Corrective Action Plan

Finding No. 10

Reference: Page 23

Finding: Improper Establishment of the Internal Service Fund

AKCMHSB did not properly establish and fund an internal service fund (ISF) for risk reserve in compliance with contract provisions.

Recommendation: Implement policies and procedures to ensure that the establishment and funding of all reserve accounts comply with applicable regulations and the MSSSC.

CMHSP Comments: NCCMHA stated that even though AKCMHSB did not properly establish an internal service fund, the funds were eventually needed; therefore, no financial adjustment was made. NCCMHA noted that they established an internal service fund based on reasonable historical cost assumptions and that there is a Board adopted policy in place for the establishment of Internal Service Funds.

Corrective Action: None necessary, according to NCCMHA

Anticipated Completion Date: Completed according to NCCMHA.

MDCH Response: None.

Corrective Action Plan

Finding No. 11

Reference: Page 25

Finding: Procurement Practice Deficiencies

AKCMHSB purchased vehicles, equipment, software, and services in FY 2000-2001 not in compliance with the MSSSC, their own procurement policies, and sound business practices.

Recommendation: Implement policies and procedures to ensure purchases are made in compliance with the MSSSC and sound business practices.

CMHSP Comments: NCCMHA did not comment on AKCMHSB's lack of compliance with the MSSSC, their procurement policies, and sound business practices. NCCMHA stated that they comply with the provisions of the procurement technical requirements of the MSSSC. NCCMHA also noted that they have policies and procedures in place for the procurement of equipment.

Corrective Action: None necessary, according to NCCMHA

Anticipated Completion Date: Completed according to NCCMHA.

MDCH Response: None.

Corrective Action Plan

Finding No. 12

Reference: Page 26

Finding: Lack of Periodic Rate Setting

AKCMHSB did not periodically update their rate schedule as required by the MDCH administrative rules.

Recommendation: Implement policies and procedures to update their rate schedule at least annually.

CMHSP Comments: NCCMHA stated that even though AKCMHSB did not periodically update its rate schedule, they do updates and have a written policy in place. They also stated that during the past two years the rates have been adjusted three times due to the increase in importance. Also, the Northern Affiliation is in the process of completing a review of all rates Affiliation-wide.

Corrective Action: None necessary, according to NCCMHA

Anticipated Completion Date: Completed according to NCCMHA.

MDCH Response: None.

Corrective Action Plan

Finding No. 13

Reference: Page 27

Finding: Deficiencies in Risk Management Strategy

AKCMHSB's Risk Management Strategy (RMS) did not satisfy all the requirements of the MSSSC.

Recommendation: Implement an approved RMS as required by the MSSSC that addresses authorizations.

CMHSP Comments: NCCMHA did not comment on AKCMHSB Risk Management Strategy, but did state that as the regional PIHP, they have assumed the responsibility of developing the RMS for the 13 county affiliation. NCCMHA noted that service authorization processes are in place and reviewed annually. The PIHP uses a centralized application of practice management software that provides real time data regarding services and consumers for all three CMHB members of the Affiliation. All claims are produced through the system and the PIHP has an effective claims verification process. NCCMHA stated that the recommendations made by MDCH have been implemented under this regional system.

Corrective Action: NCCMHA stated that they would submit a revised RMS to MDCH for approval. The strategy will address all required elements as specified in the current MSSSC.

Anticipated Completion Date: January 1, 2006.

MDCH Response: None.